Employees Provident fund organisation,india (EPFO) EPF rates and calculation

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The Epf& MP (Miscellaneous provision act) act was came in to existence from March 14 th 1952.The act is applicable all over India except the state of Jammu and Kashmir.Presently the following three schemes are providing toemployees under this act.

1. Employee provident fund scheme (EPF) 1952.
2. Employees’ pension scheme (EPS) 1995
3. Employees deposit linked insurance (EDLIS) 1976.

An establishment with 20 or more workers should register with Employees provident fund organization which comes under any of the 180 industries mentioned. Even though there are certainexemptions are there will be discussed in another post. Here we mainly aimed for EPF rates and its calculation.

EPF, EPS, EDLIS rates in India

EPF, EPS and EDLIS are calculated on Basic salary, dearnessallowances, cash value of food concession and retaining allowances if any.

“Retaining allowances means an allowance payable for the time being to an employee of any factory or other establishment during any period in which the establishment is not working, for retaining his services.”

Most of the organizations are following Basic+ DA Method. Below table tells you the rates of contribution of EPF, EPS, EDLI, Admin charges in India.

Scheme Name	Employee contribution	Employer contribution	Paid to A/c No
Employee provident fund	12%	3.67%	1
Employees’ Pension scheme	0	8.33%	10
Employees Deposit linked insurance	0	0.5%	21
EPF Administrative charges	0	1.1%	2
EDLIS Administrative charges	0	0.01%	22

Sick industries like beedi, jute, guar gum factories, coir industry other than spinning sector

Scheme Name	Employee contribution	Employer contribution	Paid to A/c No
Employee provident fund	10%	1.67%	1
Employees' Pension scheme	0	8.33%	10
Employees Deposit linked insurance	0	0.5%	21
EPF Administrative charges	0	1.1%	2
EDLIS Administrative charges	0	0.01%	22

Inspection charges payable by employer

Inspection charges must be paid by the employer in the following Cases.

1. Some establishment are exempted from EDLI contribution as they are providing the same nature of benefit without any contributions from employee, such establishments are liable to pay **0.005%** on Basic salary
2. The establishments exempted under the scheme should pay **0.18%** of Basic salary towards inspection charges.

EPF Ceiling Limit

Epf ceiling limit is fixed to 6500/-.The employer is liable to pay contribution only on 6500/- Whatever is the basic salary

Calculation of Employees provident fund

Let us calculate the contribution of an employee who is getting a basic salary of Rs 3500/-

Contribution Towards	Calculation	Amount
EPF Employees share	3500 x 12%	420
EPS Employer share	3500 x 8.33%	292
EPF employer share	3500 x 3.67%	128
EDLI charges	3500 x 0.5%	18
EPF Admin charges	3500 x 1.1%	39
EDLI Admin charges	3500 x 0.01%	0.35 (round up to Rs 1/-)

The above calculation is easy and there is no complication.

Calculation of EPF for employees getting a basic salary over and above the ceiling limit 6500/-

In such cases companies uses different method for calculation as per their pay roll policy.

Consider an employee getting a basic salary of 7500/-

We can calculate it in different ways. The only thing you should take care is, EPS is calculated only up to 6500/- that means the maximum amount is fixed to Rs 541.00. The three methods mentioned below are based on the above example.

Method-1

If your company consider total basic salary above the limit fixed 6500.00 for PF calculation

Contribution Towards	Calculation	Amount
EPF Employees share	7500 x 12%	900
EPS Employer share	**6500 x 8.33%**	541
EPF employer share	**7500 x 12% (-) 541**	359
EDLI charges	7500 x 0.5%	38
EPF Admin charges	7500 x 1.1%	83
EDLI Admin charges	7500 x 0.01%	0.75 (Round up to Rs 1/-)

I will explain how Employer contribution of EPS and EPF is calculated.

Employer is decided to contribute on total basic salary which is 12 % on 7500.00 equal to 900.00

EPS Share is fixed to 541.00

Balance (900-541) goes to EPF account 359.00

Total share **900.00**

Out of Rs 900.00 EPS share is RS 541/- which is fixed for a basic salary greater than 6500/-. The balance amount is 900-541 = 359.00 which willgo to EPF account.

You may be thinking that, what about 3.67%?, Here you don’t need to care about it.

Method2

Some companies follows the below method in which employee share is calculated on 7500/- and employer share is calculated on up limit Rs 6500/-

Contribution Towards	Calculation	Amount
EPF Employees share	7500 x 12%	900
EPS Employer share	6500 x 8.33%	541
EPF employer share	6500 x 3.67%	239
EDLI charges	6500 x 0.5%	33
EPF Admin charges	6500 x 1.1%	72
EDLI Admin charges	6500 x 0.01%	0.65 (Round up to Rs 1/-)

Method3

Some are calculating both employer and employee shares on 6500/- in spite of higher basic salary than 6500.00

Contribution Towards	Calculation	Amount
EPF Employees share	6500 x 12%	780
EPS Employer share	6500 x 8.33%	541
EPF employer share	6500 x 3.67%	239
EDLI charges	6500 x 0.5%	33
EPF Admin charges	6500 x 1.1%	72
EDLI Admin charges	6500 x 0.01%	0.65 (Round up to Rs 1/-)

Remittance of contribution

It is the duty of employer to remit the contribution deducted to the government before 15th of the following month.

Employer interest Liability

Employers are liable to pay @12% interest on late payment of EPF, EPS, EDLI, Administrative charges

Damage liability

An employer is remitting EPF, EPS, EDLI, and Admin charges late shall be liable to pay damages as penalty ranging from 17% to 37% depending up on delay.

BY

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